



Public Service Commission

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May 31, 2007

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Developing a Unified Inter-carrier Compensation Regime, CC Docket No. 01-92

Dear Ms. Dortch:

On April 19, 2007, the North Dakota Public Service Commission (ND PSC) held a meeting to obtain additional information on the Missoula Plan, in general, and the new Federal Benchmark Mechanism (FBM), in particular. On February 1, 2007 we filed Reply Comments regarding the Missoula Plan in which we stated "The North Dakota Public Service Commission believes the Missoula Plan contains attributes that merit strong consideration as an important first-step in the ongoing process of ensuring that our telecommunications networks are supported in a fair and consistent manner." We also stated that "The ND PSC has not yet had an opportunity to fully consider the recent modifications proposed by the group of Missoula supporters and early adopter states, so we reserve judgment on the net effect of the proposals until such time as we can more fully explore them." Having now had an opportunity to further review the modified Plan, the ND PSC believes that the FBM represents a significant improvement to the Plan, and that the Federal Communications Commission should proceed to implement the Missoula Plan including the FBM.

North Dakota is a very rural state. Over 40 percent of our consumers are served by small rural carriers that collectively serve 96 percent of our land area, and our state does not have large concentrations of low-cost urban customers to help offset the high costs of serving our geographically large and widely dispersed population. Our rural carriers are highly dependent on access charges for the cost recovery of their networks, and many of these carriers receive 50 percent or more of their revenues from access charges. Our intrastate access charges are significantly higher than interstate levels, and we lack the statutory authority to establish a state universal service fund. Even if we were to attempt to establish such a fund, North Dakota's small population would

require that the per-customer assessment would be so large as to threaten important universal service goals.

The Missoula Plan is a comprehensive solution that provides an orderly process to bring the current disparate intercarrier compensation rates closer together, and allows for a reasonable transition to a broadband environment. It would allow our rural carriers to bring intrastate access charges down to interstate levels, and would provide a Restructure Mechanism (RM) to offset revenue losses so that these carriers can continue to serve their customers and invest to bring broadband service to rural North Dakota consumers. It establishes default interconnection rules and addresses Phantom Traffic and other intractable industry disputes that consume time and resources that could be better focused on serving customers.

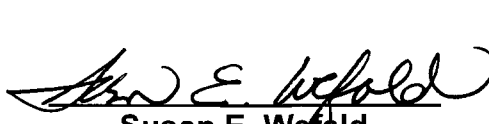
As we said in our February reply comments, "We find the status quo unacceptable, and while not in a position to call the Missoula Plan 'perfect,' we are reluctant to make the perfect the enemy of the good." That being said, we do find the Federal Benchmark Mechanism to be a significant improvement to the overall Plan. It is much more than a means to address early adopter state equity issues. The FBM directly addresses the difficult issue of rate comparability. It will protect customers that have been and are paying high rates from the initial proposed SLC increases that they would have borne under the original Missoula Plan. It also provides additional funding to recognize the efforts that many states have made to substantially reduce intrastate access charges. In addition it establishes a low benchmark rate which ensures that other consumers are not forced to support rates below the target.

While North Dakota does have high intrastate access charges, many of our consumers have basic rate levels that are near or above the "High Benchmark Target" rate established in the FBM. Under the original Plan, these customers would have been required to pay the full SLC increase (\$2.25 to \$3.50), even though they were already paying relatively high basic rates. The FBM appropriately spares these customers from excessive SLC increases, thereby assuring that these North Dakota customers and all consumers nationwide pay reasonably comparable rates for basic telephone service. We find the estimated \$0.38 per telephone number/connection assessment necessary to fund the RM and FBM to be modest and reasonable, particularly in light of the benefits that the modified Plan will bring to consumers nationwide.

We therefore encourage the FCC to proceed expeditiously to implement the important reforms contained in the Missoula Plan and the FBM.

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